



## Market Brief

### Telecommunications Services and Equipment Opportunities in Turkey

#### Market Overview

Due to the liberalization of Turkey's telecommunications services and equipment market on January 1, 2004, this sector represents significant export opportunities for U.S. companies. The market for telecom services and equipment is projected to be over US\$ 9 billion by the end of 2004. It is expected to grow by 40% by the end of 2005.

Although the state-owned Turk Telekom, Turkey's main fixed-line telecommunications provider offering services in fixed line, mobile, data and cable TV to more than 20 million subscribers, remains the dominant player in the market, nonetheless several private firms have obtained licenses for the introduction of new telecommunications services.

Furthermore, a new telecom law would allow the sale of 51% of Turk Telekom to private parties including foreign companies. The privatization administration is expected to privatize Turk Telekom fully in the near future. Currently, Turk Telekom's gross annual turnover is around US\$6 billion with a total staff of over 60,000. It ranks 13<sup>th</sup> in the world in terms of telecom operator size and 5<sup>th</sup> in Europe.

The Telecommunications Authority (Telekomunikasyon Kurumu) is the sole regulatory body responsible for establishing new regulations and approving telecommunications equipment imported into the country.

The GSM sector is rapidly gaining market share in Turkey. Penetration and subscriber rates for the Public Switch Telecommunications Network (PSTN) sector are dwindling while the GSM sector is experiencing growth. The PSTN sector experienced remarkable growth in the 1980's in terms of subscriber numbers and coverage area. This growth has stagnated with the introduction of GSM services. The current penetration rate of 30% in PSTN services is expected to increase with the introduction of fixed-line competition. In 1996, the number of mobile subscribers was 692, 779. This figure has skyrocketed 40 times in the last eight years to more than 29,000,000 subscribers. The penetration rate in mobile services is 40%.

Currently, there are three cellular service operators in Turkey, Turkcell, Telsim, and AVEA (a merger of Aria and Aycell). Turkcell and Telsim operate at 900 MHz GSM systems while AVEA operates at a 1800 MHz GSM frequency.

#### U.S. Position

Several U.S. telecommunications services and equipment suppliers are already active in the Turkish market. However, the potential success for new entrants from the U.S. remains high.

Current U.S. service providers include Comsat Digital Services, Infonet and Turk Tel Communications Services, Inc. Best prospects for U.S. telecommunications service providers include VOIP, operational and business support systems, billing, usage-tracking, customer relationship management and call center systems, data network management systems, network security and disaster recovery systems.

The estimated market size for the telecommunications services sector, including local production and imports from the U.S., is as follows:

<b>Telecommunications Services Market in Turkey</b>			
<b>US\$ Millions</b>	<b>2002</b>	<b>2003</b>	<b>2004 (estimated)</b>
Total Market Size	5,200	6,000	7,000
Total Local Production	4,700	4,900	5,500
Total Exports	910	930	1,300
Total Imports	1,410	2,030	2,800
Imports from the U.S.	140	160	250

Major U.S. equipment suppliers active in Turkey include Avaya Communication, Cisco Systems, and Motorola. U.S. equipments enjoy excellent reputation for their high quality and reliability, hence offering excellent potential for U.S. manufacturers in Turkey. U.S. companies also enjoy a competitive edge in the establishment of new networks, VoIP Equipment, and Wireless Local Loop networks.

The estimated market size for the telecommunications equipment sector, including total local production and imports from the U.S., is as follows:

<b>Telecommunications Equipment Market in Turkey</b>			
<b>US\$ Millions</b>	<b>2002</b>	<b>2003</b>	<b>2004 (estimated)</b>
Total Market Size	2,530	2,650	3,200
Total Local Production	1,110	1,150	1,250
Total Exports	320	450	500
Total Imports	1,740	1,950	2,450
Imports from the U.S.	330	370	520

### **Competition**

Major non-U.S. suppliers are European or Canadian companies such as Alcatel, Siemens and Nortel. In the past, American suppliers have experienced tough competition in segments dominated by these hardware manufacturers. The Finnish wireless provider, Nokia, is competing to position itself as the prime supplier of GSM equipment and terminals. Other major GSM cellular equipment suppliers include Siemens, Motorola and Ericsson. Cisco is also supplying business systems to GSM service providers.

## **Best Prospects for U.S. Manufacturers**

Best prospects for U.S. companies include ADSL, voice and data transmission services, new fixed-line networks and Voice over Internet Protocol (VoIP) equipment as well as Wireless Local Loop networks.

Other prospects include high-speed data and leased line services, international traffic either originating or terminating in the country due to Turkey's widely dispersed population. Telecommunications traffic access and the establishment of internet backbones to Iraq through Turkey is also deemed important.

Third generation GSM networks, procurement of an intelligent network management centers, operational and business support systems, billing, usage tracking, customer relationship management and call center systems, data network management systems, network security and disaster recovery systems are also on top of the list as investment potential for U.S. businesses.

To obtain more information on Turk Telekom's privatization, please visit Turk Telekom's website at [www.turktelekom.com.tr](http://www.turktelekom.com.tr) or the Privatization Administration's website at [www.oib.gov.tr](http://www.oib.gov.tr)

## **Contact Information**

U.S. Commercial Service has three offices in Turkey (Ankara, Istanbul and Izmir) dedicated to helping U.S. companies export to this fascinating and growing market for U.S. business. We can help locate a suitable representative for your products or services, conduct a background check on a prospective business partner or distributor, and help you when bidding on a government tender.

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